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EXECUTIVE SECRETARIAT
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Executive Secretary
19 Sept 85

Date

Executive Registry

85- 3321/1

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 9/19/85 Number: ----- Due By: -----Subject: Economic Policy Council Minutes: August 27 and September 4, 1985

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>
State	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Justice	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFarlane	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Svahn	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Chew (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Hicks	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Chief of Staff	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Executive Secretary for:		
			DPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	EPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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SBA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Attached for your information are the minutes of the following Economic Policy Council meetings:

August 27, 1985
September 4, 1985

RETURN TO:

☒ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☐ Rick Davis
☐ Ed Stucky
DCI
EXEC
REGAssociate Director
Cabinet Affairs

L-300B

MINUTES
ECONOMIC POLICY COUNCIL

September 4, 1985
10:30 a.m.
Roosevelt Room

Attendees: The Vice President, Messrs. Baker, Block, Baldrige, Brock, Yeutter, McFarlane, Sprinkel, Wright, Darman, Kingon, Oglesby, Friedersdorf, Speakes, McAllister, Armacost, Driggs, Keel, Khedouri, Low, Mulford, Robinson, Smart and Stucky, Ms. Dole and Ms. Constable.

1. Moving Social Security Off-Budget

Secretary Baker stated that Congressman Roybal has scheduled hearings for September 9 regarding moving social security off-budget before the scheduled 1993 date. An Administration position is needed because OMB and HHS have been asked to testify.

Mr. Wright stated that moving social security off-budget -- old age and survivors insurance and disability insurance -- would increase the budget deficit by \$63.5 billion by 1990, and that if medical insurance is included, the deficit would increase by \$77 billion. He noted that these are accounting deficits and would not increase the Federal Government's borrowing requirements. Mr. Darman cautioned that increasing the budget deficit by that amount would jeopardize the Administration's efforts to reform the tax code.

The Council discussed the implications of the President's earlier statement that social security should be moved off-budget. Secretary Baker pointed out that the President did not specify when social security should be moved off-budget nor did he offer legislation to do so.

Decision

The Council agreed that the Administration should not testify in support of a specific legislative proposal or date to accelerate the scheduled separation of social security from the united budget. Administration witnesses should indicate that we will study the issue.

Minutes
Economic Policy Council
September 4, 1985
Page two

2. Trade Policy Strategy

Mr. Baker stated that the Council had three remaining trade policy issues to address:

1. Should the U.S. host a high level meeting of the major industrial countries to review the issues in implementing the findings of the G-10 monetary studies or continue to rely on the Interim Committee as the forum for following up on the G-10 studies?
2. Should the U.S. seek to ease the debt burden of those countries carrying out successful adjustment in accordance with the IMF so as to increase their ability to increase imports?
3. How does the Administration enunciate our trade policy?

Mr. Mulford noted that the issue with regard to international monetary reform is whether to maintain our current position of offering to consider the value of hosting a high level meeting to build upon the G-10 monetary studies or pursue a more concerted effort at reform. Secretary Baldrige stated that the issue is more than a conflict between the U.S. and France and goes to the question of the strong dollar, the trade deficit and protectionist legislation in Congress. He stated that addressing the problem of the high value of the dollar should be a part of the Administration's trade strategy. Mr. Sprinkel expressed caution about pursuing such a course, and stated that the current position, as articulated by Secretary Baker at the OECD meetings in Paris, of offering to consider the value of hosting a high-level conference to build was the best approach. The Council agreed with that formulation.

Secretary Baker questioned the value of including in the policy paper a statement that the Administration would seek to ease the debt burden of countries following IMF adjustment policies. The Council's discussion focused on the importance of stressing that developing countries improve their economic growth, rather than offering to ease their debt burden.

Minutes
Economic Policy Council
September 4, 1985
Page three

The Council, in reviewing the best means of launching the President's trade strategy, discussed the merits of a presidential speech and a bipartisan conference. An argument advanced on behalf of a televised presidential speech was that only the President could quell the protectionist pressures building in Congress. Several Council members questioned whether a presidential address would have a lasting effect upon Congress, arguing that it might be setting the President up for a loss. Secretary Baker noted that televised addresses are more effective when the President is asking for support of a particular bill or position, rather than a general policy approach.

Mr. McFarlane suggested establishing a bi-partisan commission to draw Congress into a joint effort to address the trade problem. Such a commission might also give the Administration the time necessary to hold off protectionist legislation that it appears Congress will enact soon.

The Council's discussion focused on how such a commission might be established and what it could accomplish. Several members expressed some skepticism that Democrat members of Congress would be willing to establish such a commission and take the political pressure generated by protectionist legislation off the Administration. Mr. Darman stated that the National Commission on Social Security Reform, was a similar effort to develop a bipartisan approach to solving a problem. He noted however that the social security commission was attempting to develop legislation; the trade policy committee would be attempting to resist legislation.

Ambassador Yeutter suggested that a strong omnibus trade legislation proposal by the Administration might be another approach to capturing the initiative on trade with Congress.

Decision

Secretary Baker asked that a small working group develop an outline of how a bi-partisan trade commission might be established, its membership, charter and timing.

85-3321

THE WHITE HOUSE
WASHINGTON

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CABINET AFFAIRS STAFFING MEMORANDUM

Date: 8/30/85 Number: 316979CA Due By:

Subject: Economic Policy Council Meeting - Wednesday, September 4, 1985

10:30 A.M. - Roosevelt Room

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	CEA	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
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HHS	<input type="checkbox"/>	<input type="checkbox"/>	Chew (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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USTR	<input type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:		
			DPC	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	EPC	<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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SBA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

There will be a meeting of the Economic Policy Council on Wednesday, September 4, at 10:30 A.M. in the Roosevelt Room.

The agenda and background paper are attached.

RETURN TO:

☐ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☐ Rick Davis
☐ Ed Stucky



Associate Director

Cabinet Affairs

2-3006

THE WHITE HOUSE

WASHINGTON

August 30, 1985

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: EUGENE J. McALLISTER *EM*

SUBJECT: Agenda and Paper for the September 4 Meeting

The agenda and paper for the September 4 meeting of the Economic Policy Council are attached. The meeting is scheduled for 10:30 a.m. in the Roosevelt Room.

The single agenda item is a review of the Administration's trade policy strategy. Since the last Council meeting, the working group on trade strategy has made considerable progress in developing key elements of a strategy and narrowing areas of disagreement. A paper outlining the major elements of the proposed trade strategy and describing the remaining issues to be resolved is attached.

Confidential Attachment

THE WHITE HOUSE

WASHINGTON

ECONOMIC POLICY COUNCIL

September 4, 1985

Roosevelt Room

AGENDA

1. Trade Policy Strategy

August 30, 1985

International Trade and Economic Policy
Initiatives

The trade and economic policy initiative outlined below has five major elements: (1) pursuing sound fiscal, monetary, and regulatory policies; (2) ensuring free and fair trade; (3) promoting U.S. exports; (4) pursuing multilateral and bilateral trade negotiations; and (5) limiting exceptions to free trade.

AGREED UPON PRINCIPLES AND STRATEGIES

Macro-Economic Policies

1. The U.S. must recognize the adverse impact of excessive government spending and budget deficits, the recent strength of the dollar, and government regulations on the U.S. trade deficit.
2. The U.S. will encourage its trade partners to adopt policies that will accelerate their economic growth by urging Bonn Summit participants to act on their commitments to remove rigidities and imbalances in their economies. Such policies and actions by our trade partners will contribute to a gradual strengthening of their currencies and will enhance U.S. exports.

Regulatory Policies

1. The Administration is reviewing, and will seek to amend, if warranted, anti-trust laws or regulations that impede our international competitiveness.
2. The Administration will consider trade implications when reviewing proposed regulations and when developing further deregulation initiatives. The Administration will use the trade leverage created by its deregulatory process to seek to open foreign markets, thereby minimizing the problem of free rides for foreign suppliers.

Ensure Free and Fair Trade

1. The Administration remains unequivocally committed to free and fair trade and will continue vigorously to promote an open trading system through negotiations aimed at improving trade rules and increasing market access.

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2. The U.S. will vigorously pursue its trade rights and interests under U.S. law and the GATT, and will see that other countries live up to their obligations and trade agreements with the U.S.
3. The Administration will continue vigorous enforcement of U.S. antidumping and countervailing duty laws.
4. In the past, the U.S. has initiated Section 301 unfair trade cases only in response to formal petitions for action from U.S. industries. The Administration will, as appropriate, also self-initiate such cases to address foreign unfair trade practices.
5. The Administration will take tactical measures aimed at eliminating unfair foreign trade practices and opening foreign markets, following efforts to resolve such issues through consultations. The denial or limitation of access to the U.S. market may be a necessary step in this process.
6. The Administration supports the market-opening objectives of equitable access legislation but will oppose legislation that would require the President to close U.S. markets on the basis of sectoral reciprocity. Rather, the Administration prefers legislation that gives the Administration authority to negotiate foreign barrier reductions.
7. The Administration will increase efforts to protect intellectual property rights (patents, copyrights, trademarks); we will accelerate work with a view toward possible Administration initiatives in this area.
8. The United States will continue market-oriented sector selective (MOSS) discussions with Japan. However, time limits will be placed on existing sector discussions, at the end of which specific commitments will be evaluated and follow-up procedures begun. New sectors will be added that offer the promise of expanded U.S. exports.
9. Follow-up of the 1984 yen-dollar report liberalizing Japan's financial markets and internationalizing the yen will continue.
10. The Administration will follow up on its reports to the Congress on the subject of foreign industrial targetting, by continuing to examine the potential problems created by foreign targetting and, where appropriate, possible remedies.

LIMITED OFFICIAL USE

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Promote U.S. Exports

1. The U.S. will seek to redress the trade deficit through increasing exports instead of restricting imports.
2. The Administration will work with private sector advisory groups (e.g., the President's Export Council) to improve export promotion and to help companies look at global markets.
3. The Administration will evaluate Federal export promotion activities during the fall budget review to improve their effectiveness.

Promote Multilateral and Bilateral Trade Negotiations

1. There is a great need for a more comprehensive, disciplined and effective system of world trade rules. The system needs fixing.
2. The Administration will maintain efforts to launch a new GATT round based on U.S. objectives already-agreed internally.
3. The Administration will examine possible bilateral and plurilateral negotiating opportunities, both to improve market access and fairer trade and promote wider interest in the multilateral negotiating process.

Import Relief

1. The Administration is committed to market-based solutions to trade problems at home and abroad, but occasional exceptions, in the form of relief from import competition may be necessary.
2. Import relief, if appropriate, should be transparent, temporary, time-specific, decline over the period of relief, and lead to greater competitiveness.
3. The Administration will review existing worker assistance programs in order to assure that they promote an effective human adjustment policy which contributes to the maximum capacity for change, mobility, and increased productivity. This review will include an assesement of: (a) training and retraining programs -sponsored by government, labor, and business - on a comprehensive and continuing basis; and (b) employment service, job bank, training, and relocation support for individuals identified as potential displaced workers in order to minimize human cost and the loss of valuable skills.

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National Security

1. The Administration reserves the right to respond to foreign economic conditions and imports that threaten industries essential to our long-term national security.
2. The Administration will vigorously enforce our export control laws to prevent transfers of sensitive and critical technology of military significance to potential adversaries. At the same time, the Administration recognizes the reality of foreign availability and the importance of our reputation as a reliable supplier. We are also aware that future technical advances by U.S. industry depend on maintaining the widest possible access to foreign markets and on fostering the widest exchange of scientific information.

ISSUES OF DISPARATE VIEWS WITHIN THE ADMINISTRATION

International Finance

1. Should the U.S. host a high-level meeting of the major industrial countries to review the issues in implementing the findings of the G-10 monetary studies, such as improving the floating exchange rate system, or continue to rely on the Interim Committee as the forum for following upon the G-10 studies?

Trade and Debt

1. Should the U.S. seek to ease the debt burden of those countries carrying out successful adjustment in accordance with IMF programs, so as to increase their ability to increase imports? What effect would such a policy have on the debtor nations' self-discipline, and would such policies be effective in encouraging imports?

Ensure Free and Fair Trade

1. How aggressively should the Administration match export subsidies by our competitors to press for agreements eliminating such subsidies? Should the Administration exceed, match, or only partially counter such subsidies? Should the Administration expand or maintain the current levels of budget resources? (Mixed-credit aspects are to be discussed at 9/5 EPC meeting.)